

MINUTES OF MEETING OF THE
NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY
February 21, 2005

The Board of Directors (the "Board") of the North Harris County Regional Water Authority (the "Authority") met in special session, open to the public, at 7:00 p.m. on the 21st day of February, 2005, at the Authority's office located at 3648 FM 1960 West, Houston, Texas, a public meeting place within the boundaries of the Authority; whereupon, the roll was called of the duly constituted officers and members of the Board, to-wit:

Kelly P. Fessler	President
Ron Graham	Vice President
Alan J. Rendl	Secretary
James D. Pulliam	Treasurer
Lenox A. Sigler	Assistant Secretary

All members of the Board were present except Director Sigler, thus constituting a quorum. Also attending the meeting were: Mr. Jimmie Schindewolf, P.E., General Manager for the Authority; Ms. Cynthia Plunkett, Financial Assistant for the Authority; Ms. Lisa Sagstetter, Community Relations Coordinator for the Authority; Ms. Barbara Payne of Payne Communications, Communications Coordinator for the Authority; Mr. Tom Rolen, P.E. of Turner Collie & Braden Inc., Engineer Manager for the Authority; Mr. Charles Shumate, P.E. of Brown & Gay Engineers, Inc., on-call engineers for the Authority; Mr. Larry Barfield, P.E. of Binkley & Barfield, Inc., on-call engineers for the Authority; Mr. Buddy Barnes, P.E. of Carter & Burgess, Inc., a subcontractor to AEI Engineers, Inc. for Projects 6 and 6A; Mr. Michael G. Bartolotta of First Southwest Company, co-senior managing underwriter for the Authority; Mr. Craig A. Brast of UBS Financial Services Inc., co-senior managing underwriter for the Authority; and Ms. Robin S. Bobbitt of Johnson Radcliffe Petrov & Bobbitt PLLC, general counsel for the Authority. Numerous members of the public and other consultants to the Authority were also present at the meeting. Copies of the sign-in sheets for those in attendance are attached hereto.

WHEREUPON, the meeting was called to order and evidence was presented that public notice of the meeting had been given in compliance with the law. The posted notices of the meeting are attached hereto.

PUBLIC COMMENTS

Director Fessler first recognized Ms. Kathie Ware, a member of the Board of Directors of Fountainhead Municipal Utility District ("Fountainhead"), who voiced a concern that her district had not taken steps to deal with their problem with arsenic levels in their water system because they were relying on the Authority's Groundwater Transfer Program (the "GTP") to provide water to Fountainhead. Ms. Ware stated that she is concerned about the status of the GTP and whether the Authority has a "back-up" plan to provide water on a timely basis to the districts that have arsenic problems.

Mr. Schindewolf stated that the Authority has been working with the Texas Commission on Environmental Quality (the "TCEQ") regarding the Authority's GTP, including the Rules and

Regulations and Buy/Sell Agreements. Mr. Schindewolf noted that he has a meeting scheduled with Mr. Glenn Shankle, Executive Director of the TCEQ, on February 23rd, and that it is hoped that the final issues concerning the GTP can be resolved with the TCEQ within thirty (30) days. Mr. Schindewolf also noted that the Authority has filed Senate Bill 331 to address the issues if they are not resolved with the TCEQ. Mr. Schindewolf stated that as soon as the TCEQ approves the GTP Rules and Regulations, the Authority will send out the proposed amended Rules and Regulations and updated forms for Buy/Sell Agreements to the attorneys and engineers of the utility districts that want to participate in the GTP as a buyer or a seller of water. Mr. Rolan added that the Authority is proceeding with construction of Phase 1 of the GTP with the intent that water will be available by January, 2006.

GENERAL MANAGER'S REPORT

Mr. Schindewolf next reported that the Interlocal Agreement by and among the Authority, Charterwood Municipal Utility District, and V&W Partners, Ltd. concerning the Louetta Regional Water Plant (the "Louetta Plant") has been executed by all parties and that the closing on the water plant site is scheduled for tomorrow, February 22nd. Mr. Schindewolf also reported that the bids for the pilot test hole for the Louetta Plant wells will be presented at the Board's March 7th meeting.

INTERLOCAL COST SHARING AGREEMENT – GREENS ROAD WATER LINE PROJECT

Concerning the proposed Interlocal Cost Sharing Agreement by and between the City of Houston, Texas (the "City") and the Authority regarding the Authority's participation in the Greens Road Water Line Project (the "Agreement"), Mr. Schindewolf reported that negotiations with the City have been completed and that approval of the Agreement is scheduled to be on the City Council agenda on March 2nd. Mr. Schindewolf then reviewed a PowerPoint presentation regarding the Greens Road Water Line Project, a copy of which is attached hereto. Mr. Schindewolf noted that the Authority's share of costs for the Greens Road Water Line Project is approximately \$29.6 million out of a total estimated project cost of \$51.7 million. Director Rendl asked what the Central Harris County Water Users Consortium's (the "CHCWUC") share of such costs would be. Mr. Schindewolf responded that the CHCWUC's share of the project cost would be approximately \$3 million.

Mr. Schindewolf noted that a copy of the Agreement is included in Tab 2 of the meeting packet and reviewed the timeframes for the Authority's payment of construction costs to the City, as provided in Section 2.06 of the Agreement, including 25% by March 15, 2005, 75% by August 15, 2005 and 100% by December 15, 2005. Mr. Schindewolf added that the Authority's share of engineering costs is to be paid within thirty (30) days of execution of the Agreement, and that the Authority's share of real estate acquisition costs must be paid to the City as such costs are incurred by the City. Mr. Schindewolf stated that the end result of participating in the Greens Road Water Line Project is that it will save the Authority an estimated \$10 to \$15 million in costs and gets the Authority approximately eight (8) miles closer to the Authority's delivery point for surface water in 2010.

Director Graham inquired whether the CHCWUC would be able to pay their pro rata share of the project costs or would the Authority be financing such costs for a period of time on behalf of the CHCWUC. Mr. Schindewolf stated that he is in the process of scheduling a meeting with Mr. Abry

Rubinsky, attorney for the CHCWUC, to discuss the matter and that the Authority may likely finance a portion of their costs until the CHCWUC is created as a governmental entity by the Legislature.

A discussion then ensued regarding the various terms of the Agreement. Upon motion by Director Graham, seconded by Director Pulliam, after full discussion and the question being put to the Board, the Board voted unanimously to approve and authorize execution of the Agreement, a copy of which is attached hereto.

APPROVE CAPITAL CONTRIBUTION CONTRACTS

Mr. Schindewolf then referred the Board to Tab 3 of the meeting packet and noted that Ms. Plunkett had prepared a status report on the 26 utility districts that had submitted Capital Contribution Intent Resolutions. Mr. Schindewolf reported that there were six (6) Capital Contribution Contracts being presented for the Board's approval at tonight's meeting, including contracts from Fountainhead, Louetta North Public Utility District, Northwest Harris County Municipal Utility District No. 6, Northwest Harris County Municipal Utility District No. 19, Northwest Harris County Municipal Utility District No. 20, and Timberlake Improvement District. Upon motion by Director Rendl, seconded by Director Pulliam, after full discussion and the question being put to the Board, the Board voted unanimously to approve the six (6) Capital Contribution Contracts, copies of which are attached hereto.

Ms. Plunkett reminded the Board that the deadline for submitting Capital Contribution Contracts is March 15, 2005.

CONFIRM UPCOMING MEETING DATE

Director Fessler then stated that the next regular meeting of the Board would be held on Monday, March 7, 2005.

There being no further business to come before the Board, the meeting was adjourned.

PASSED, APPROVED AND ADOPTED this 4th day of April, 2005.

/s/Alan J. Rendl

Secretary, Board of Directors

(SEAL)